



Auditor's Annual Report
London Borough of Harrow Council – year ended 31 March 2025

26 February 2026

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Our reports are prepared in the context of the ‘PSAA Statement of Responsibilities of Auditors and of Audited Bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to London Borough of Harrow. It has been prepared for the sole use of Governance, Audit, Risk Management and Standards Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for London Borough of Harrow Council ('the Council') for the year ended 31 March 2025. From 2024/25 the Code required us to issue a draft AAR by the end of November. We reported the draft AAR to the Council's Governance, Audit and Risk Management Committee on 25 November 2025.

Although the AAR is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements



We issued our audit report on 26 February 2026. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.

Value for Money arrangements



In our audit report we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued four recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements and a summary of our recommendation.

Reporting to the group auditor



In line with group audit instructions issued by the NAO, we have undertaken work on the Council's Whole of Government Accounts (WGA) return in line with their instructions. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Under normal circumstances, our objectives would be to form and express an opinion on whether the financial statements present a true and fair view of the Council's financial affairs for the year and whether they have been prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting.

A range of factors have led to a backlog in financial reporting in recent years. Legislation passed by government in 2024 (the Accounts and Audit (Amendment) Regulations 2024) addresses the backlog by introducing a 'backstop date' for the publication of financial statements, even if the audits had not been completed. This is intended to enable the sector to focus on the current financial position rather than historic information.

We issued a disclaimed opinion on your financial statements for 2023/24 financial year. This meant we did not express an opinion on those financial statements, and as such we do not have assurance over the opening balances in the 2024/25 financial statements. We provide in Section 3, further information on the procedures we have undertaken to issue a disclaimer of opinion in advance of the backstop date is provided in section 3.

The NAO published Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 in June 2025. This guidance sets out the procedures auditors may undertake to obtain sufficient appropriate evidence over opening balances when previous year's audits have been disclaimed. The guidance acknowledges that how long it will take to rebuild assurance will vary between audit engagements and according to each audit's particular circumstances.

It has not been possible to complete sufficient procedures as part of the current year's audit to enable us to issue a non-disclaimed opinion. For this reason, we will be issuing a disclaimed opinion in time for the Council to publish its financial statements by the backstop date of 27 February 2026 as required by the relevant legislation.

We reported the findings of our audits of the Council and Pension Fund accounts to the Council's Governance, Audit and Risk Management Committee on 16 February 2026. We do not repeat the detailed findings here but provide further information in Appendices A and B.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify significant inconsistencies between the content of the annual report and our knowledge of the Council.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements


Overall Summary




VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

 **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.

 **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.

 **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of

work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 9.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	10	Yes – see risk 1 on page 11	Yes – see recommendation 1 on page 26	No
 Governance	15	Yes – see risk 2 on page 16	Yes – see recommendation 2 on page 26	No
 Improving economy, efficiency and effectiveness	20	Yes – see risk 3 on page 21	Yes – see recommendation 3 on page 26	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weakness in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to this risk.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>Financial sustainability – Dedicated Schools Grant deficit</p> <p>The Council had an opening Dedicated Schools Grant (DSG) reserve deficit of £1.8m, but this deficit increased to £13.8m by the end of 2024/25. This was made up of an overspend of £13.7m on the High Needs Block, which was partially mitigated by underspends on other DSG blocks.</p> <p>The Council’s Budget Monitoring Report for Q1 of 2025/26, taken to Cabinet in September 2025, projected the cumulative deficit at the end of 2025/26 to be £28m. This is a projected overspend of £14.1m for the 25/26 financial year, again driven by the High Needs Block which continues to see increasing number and complexity of need of children requiring Education Health and Care Plans (EHCP).</p> <p>The Department for Education (DfE) requires local authorities to explain their plans for bringing the DSG account back into balance. The Council have developed a recovery plan which they shared with the DfE in July 2025.</p> <p>There is a risk that the Council has not identified appropriate measures to manage and reduce the deficit and does not have sufficient reserves to cover the projected deficit.</p>	<p>Work undertaken</p> <p>We have reviewed the Council’s DSG recovery plan shared with the DfE in July 2025 to determine whether appropriate and realistic plans are in place to enable the Council to bring the DSG account back into a balanced position. We have also reviewed the latest budget reports to assess the Council’s level of reserves, and its ability to cover a DSG deficit if required.</p> <p>Results of our work</p> <p>While there are several ‘key strands’ within the recovery plan to be implemented within the period from 2025 to 2028, the action within the plan that drives the first of four ‘milestones’ is a planned new special school. The Council had a business case approved during 24/25, and the first milestone of the deficit recovery plan, due to take place in September 2025, was a final decision from the DfE on whether they would continue their free school programme and enable the Council to progress. This school was expected to create 292 new places, reducing reliance on independent placements by 30% over 3 years and deliver long-term savings of £2.5m annually. However, senior officers at the Council have stated that the DfE have pushed this decision back, and there is increased uncertainty as to whether final approval for the school will be granted.</p> <p>While the Council have reflected the uncertainty around the new school not progressing, with mitigating plans to use the site as a post-16 hub, this is expected to take far longer to implement than the special school, with no clear detail as to both the short and long term impacts on costs and savings. The Council have had positive feedback from the DfE, who have recognised the efforts that they are making to monitor and reduce SEND pressures, and there are clear actions within their plan to address increasing costs and demand. The Council have placed focus on early intervention, by strengthening early years SEND pathways and outreach, to prevent escalation to EHCPs and hence demand within the High Needs block. They are also targeting a 15% reduction in High Cost Placements by 2026, through implementation of more strict protocols for approvals.</p> <p>The Council had £193m of usable reserves at year end 24/25, with £10m within its general fund reserves, which would not cover the projected DSG deficit. Due to the reasons outlined above around the lack of alternative plans to the special school to reduce demand / costs and manage the deficit, we believe that this is indicative of a significant weakness in arrangements. We have made a recommendation to the Council to address this weakness on Page 25.</p>

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

The Council's financial planning and monitoring arrangements

The Council's financial planning and budgeting arrangements are well established and include a wide range of activities and consultations. The budget setting process includes engagement with senior Council officers and incorporates discussion about the delivery of statutory services/priorities and the impact on resources. Where additional resources are required, these are scrutinised and challenged before they are included in the budget estimates. Workshops with officers and Members are a key part of the budgeting arrangements, and these are detailed and extensive.

The process involves consultation and discussion with officers and Members around the assumptions and principles on which the detailed budget is based. A range of officer meetings and discussions take place to review proposals for savings and budget reductions, with each proposal supported by evidenced assessments of deliverability and potential savings.

Proposals are subject to consultation with staff, officers and Members and are presented to meetings attended by Cabinet Members and senior officers and Governance, Audit, Risk Management and Standards (GARMS) Committee members before submission to, and approval at, Full Council as part of the formal budget and council tax setting process.

The Council set a balanced budget for 2024/25, without the need to draw on reserves, after forecasting for a maximum increase in council tax of 4.99% in line with announcements made in the 2022 Autumn Statement on core spending power for local government. In preparing the 2024/25 budget, the Council recognised that there was a growing demand, alongside price pressures, in Adult Social Care and temporary accommodation. Budget growth was included in the Medium-Term Financial Strategy (MTFS) to reflect the forecast costs following a assessment and modelling of future demand. To accommodate the growth, the Council proposed a range of savings across all directorates.

We have reviewed a range of the budget preparation documents and minutes of meetings held as part of the budget setting process. This confirmed that the documents were comprehensive and detailed and the process for development had been completed on a timely basis and delivered the intended outcomes to assist with the budget preparation.

Identifying, managing and monitoring funding gaps and savings

The Council produces a MTFS each year alongside its annual budget. This sets out the resources available to deliver the Council's overall commitment to provide services that meet the needs of people locally over the planned three-year period and is updated and extended as part of each year's budget setting process. To balance the 2024/25 budget and future budgets, the Council has been required to deliver significant savings. The Council has a track record of delivering savings, achieving over £113m in total between 2013/14 and 2023/24 inclusive. During 2024/25, the Council committed to further savings of £11.9m in the MTFS to 2026/27.

The Council employs a process of efficiency review and service redesign to identify savings, challenging individual budget holders annually. In 2024/25, this resulted in the delivery of total planned savings of £8.5m.

The Council provided quarterly reports of its financial position to Cabinet across the year, as well as at year end, which reported its revenue outturn position for 2024/25 as an overall underspend of £1.6m. This was the second consecutive year that the Council had reported an underspend, which was used to grow the budget planning reserve to support the balancing of future budgets. The Housing Revenue Account (HRA) outturn was a surplus of £4.9m in 2024/25. We have reviewed a sample of the reports presented throughout the year and these were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a range of other financial measures and other performance information.

Officers and Members actively review and consider overall performance in line with this information. The Council has a well-established timetable for Cabinet reporting which includes reporting to directorate, divisional and strategic management teams.

The Council's budgeting process completed during 2024/25 culminated in the 2025/26 budget and MTFS to 2027/28. This saw the budget gap for the 2026/27 financial year reduce from an initially reported £6.7m to a revised £5.5m. A further gap of £3.6m was identified for 2027/28. These gaps were significantly less than had been identified in previous MTFS', with the main contributors to this being the notification of additional funding within the Provisional Local Government Finance Settlement, which also confirmed an updated council tax assumption of 4.99%.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

The Council has faced challenges around the increasing demand for costly and complex support for children in education. The Council had an opening Dedicated Schools Grant reserve deficit of £1.8m. This deficit increased to £13.8m by the end of 2024/25. This was made up of an overspend of £13.7m on the High Needs Block, which was partially mitigated by underspends on other DSG blocks. The Council's Budget Monitoring Report for Q1 of 2025/26, taken to Cabinet in September 2025, projected the cumulative deficit at the end of 2025/26 to be £28m. This is a projected overspend of £14.1m for the 25/26 financial year, again driven by the High Needs Block which continues to see an increasing number and complexity of need of children requiring Education Health and Care Plans (EHCP).

While there are several 'key strands' within the recovery plan to be implemented within the period from 2025 to 2028, the action within the plan that drives the first of four 'milestones' is a planned new special school. The Council had a business case approved during 2024/25, and the first milestone of the deficit recovery plan, due to take place in September 2025, was a final decision from the DfE on whether they would continue their free school programme and enable the Council to progress. This school was expected to create 292 new places, reducing reliance on independent placements by 30% over 3 years and deliver long-term savings of £2.5m annually. However, senior officers at the Council have stated that the DfE have pushed this decision back, and there is increased uncertainty as to whether final approval for the school will be granted. As at November 2025, the Council has yet to identify an alternative action that would have the same impact on its DSG recovery plan.

We have concluded that this is a significant weakness within the Council's arrangements, for which we provide further details on page 11.

Ensuring financial plans support the sustainable delivery of services and consistency with other Council plans

Throughout the financial year officers provided updates on treasury management, revenue and capital budgets to Cabinet and the GARMS Committee as appropriate. These reports are provided to give assurance that the relevant plans, and outturn to date, are supporting the day-to-day operational requirements of the Council.

The Council uses its MTFs to inform spending plans and funding requirements for the provision of its services. The MTFs reflects the need to deliver statutory priorities as well as to implement corporate flagship actions as part of the Administration's priorities. When preparing the MTFs, the Council keep in view its Corporate Plan, which sets out its vision and priorities over 3 years. The Corporate Plan consists of three Flagship Actions to deliver the priorities.

The Harrow economic strategy is the Council's framework to address some of the root causes of poverty and inequality, by addressing low skills and wages, creating jobs and addressing inequalities to improve the skills and employability of our residents and stimulating business growth and job creation.

Our committee, Cabinet and full Council minute reviews show the Council constantly monitors the outcome of the revenue and capital budget and ensures they are all tying in to working towards the Council's long-term strategy.

Managing risk to financial resilience

To support management of its risks to financial resilience, the Council maintains a risk register. Whilst not specifically for financial risks, this is the underlying process for identifying risks the Council faces and includes financial risks. Review of this risk register confirms risks, particularly around pressures on social care budgets and the dedicated schools grant, being tracked provide leadership with oversight of the Council's financial resilience.

Each risk is assigned a score in line with its potential likelihood and its potential impact. Responses to these risks are then determined in line with the Council's risk appetite. Through our attendance of GARMS Committee meetings, we have confirmed that the register is reviewed frequently, actions are appropriately tracked, and the Council's risk appetite is kept under review in line with the environment in which it operates.

As part of the financial planning process, during the consultation phase with senior management, risks identified in the register are built into the planning process. This ensures the Council's financial plans are incorporating all the major pressures and risks it faces into future periods.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

The Council also makes use of reserve balances to ensure financial resilience. The Council, at 31st March 2025, had total usable reserves of £193m. These are usable reserves that the Council can draw upon in future periods to meet service demand. However, management have the attitude that reserves should not be relied upon to balance budgets. This is demonstrated by the total underspend of £1.6m in 2024/25 being added to the Budget Planning Reserve, which has been set up with the specific purpose to provide additional contingency to support the budget and uncertainty in funding in future periods. The Budget Planning Reserve balance was £22.8m at 31/03/2025.

Overall view on arrangements in relation to financial sustainability

As a result of the programme of work performed, we have concluded that there is a significant weakness in the Council's arrangements in relation to the deficit on the Dedicated Schools Grant reserve and have made a recommendation for the Council to address, which is outlined on page 25.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weakness in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to this risk.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>Governance in relation to management of the schools PFI contract</p> <p>In January 2025, internal audit completed its review of the controls in place to manage the risks associated with the management of the Council's schools PFI contract. The overall assurance opinion gave 'No assurance' to the effectiveness of the controls in place, with internal audit finding that there did not appear to be a procedure in place for monitoring the schools PFI contract, including performance monitoring or paying of invoices.</p> <p>2</p> <p>The Council's Annual Governance Statement for 2024/25 reported this matter as a significant governance issue to be addressed. The AGS recognised that a lack of corporate resource had resulted in the PFI contract not being monitored, and that internal audit had made 14 recommendations to address the weaknesses identified.</p> <p>There is a risk that the Council does not have the appropriate controls in place over the management of the schools PFI contract, and do not have arrangements in place that would enable them to identify such issues.</p>	<p>Work undertaken</p> <p>We reviewed the findings of the internal audit review, and the agreed actions within the action plan issued alongside the internal audit opinion. We assessed how the Council have responded to the findings of the report and whether these findings were only identified as a result of the internal audit review.</p> <p>Results of our work</p> <p>The final report from internal audit contained several key findings. They found that, since the contracts team within the Place directorate was disbanded within a restructure of the directorate of 2021/22, the schools PFI contract had not been monitored, and no handover process had been put in place at the time of the restructure. While this was raised with Senior Management in the Place department in 2022, it was not addressed and almost all staff with knowledge of the schools PFI have left the Council, with limited knowledge retained.</p> <p>The internal audit report raised 14 recommendations for the Council to address the weaknesses identified, 12 of which were categorised as High risk and the other 2 as Medium risk. The Council has accepted these recommendations and agreed to implement an action plan proposed by internal audit in January 2025 to improve the controls in place to manage the schools PFI contract.</p> <p>Upon receipt of the findings of internal audit, the Council immediately commissioned a review of the schools PFI contracts to understand the contract requirements and understand any variations involved. They have also committed to reviewing the structure of the Estates team to ensure a dedicated resource is in place to manage the PFI contracts going forward. The other management actions within the plan were centred around addressing the issues around the controls and level of oversight over the schools PFI contract, all of which are to be implemented in 2025/26.</p> <p>Due to the issues regarding the schools PFI contract neither being identified or addressed for a significant period, and the actions within the Council's action plan yet to be implemented, we believe that this is indicative of a significant weakness in arrangements. We have made a recommendation to the Council to address this weakness on Page 25.</p>

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

The Council has an established risk management framework that aligns financial accountability with service decision-making, embedded within the Council's governance structure. There are Corporate and Operational Risk Registers in place which are refreshed to reflect any significant changes in circumstances in which the Council operates and the current challenges and opportunities it faces. The GARMS Committee reviews the effectiveness of the Council's arrangements and has continued to receive relevant update reports and briefings.

The Council have an internal audit team, led by the Assistant Director Audit and Anti-Fraud (previously the Interim Head of Internal Audit & Corporate Anti-Fraud). They are responsible for the delivery of the internal audit annual work programme. Each year, a risk-based plan is formulated which balances coverage of areas across the business cyclically as well as leaving space for thematic reviews as the need arises. This plan is reviewed and approved by GARMS annually.

The internal audit function achieved completion of 92% of its plan, with a total output of 45 full completed report stage reviews. The execution of this plan during 2024/25 is detailed in the annual internal audit opinion, which stated: 'Reasonable assurance can be given that the systems and processes in place throughout the Council support the achievement of its objectives and generally comply with Harrow's Local Code of Corporate Governance. The Council is currently aware of issues that could affect its financial position such as, but not limited to, ongoing cost pressures associated with the delivery of Adult Social Care, Temporary Housing costs and the cost-of-living crisis.'

GARMS is regularly updated on the progress of work against the internal audit plan. Our review of GARMS minutes, as well as attendance at meetings, confirms that the internal audit plan is effectively agreed prior to commencement and any weaknesses in controls identified through internal audit's work are highlighted and brought to the committee throughout the year.

In August 2021, the Council were alerted to allegations of fraud and corruption within a particular service area that are currently subject to a criminal investigation by the Police. The Council completed an internal audit review of the systems in place and commissioned an independent review with the same scope. The independently led review raised five recommendations for the

Council to address to improve its internal control and reduce the risk of similar events occurring in the future. We first reported a significant weakness in the Council's governance arrangements to prevent and detect fraud in our 2021/22 Auditor's Annual Report and recommended that all recommendations made by internal audit and the independent review were implemented. This weakness has remained relevant, as the recommendations have still not been implemented in full by the Council.

A follow up internal audit review was completed in December 2024 and provided limited assurance over the operation of controls for the service area subject to allegations of fraud and corruption. The review attributed the lack of progress to staff turnover in the service area and highlighted the recommendations provided by the external review in May 2022, which were incorporated within 16 medium and high rated recommendations made by internal audit as a result of the review. At the end of 2024/25, one high rated and four medium rated recommendations were yet to be implemented. We are considering further information provided by the Council, but at present we have concluded the weakness first reported in the 2021/22 Auditor's Annual Report remains outstanding.

In January 2025, internal audit completed a review of the controls in place to manage the risks associated with the management of the Council's schools PFI contract. The overall internal audit opinion gave 'no assurance' to the effectiveness of the controls in place, and this was reported as a significant matter in the Council's 2024/25 Annual Governance Statement. We have concluded that this is a significant weakness within the Council's arrangements, for which we provide further details on page 16.

Budget setting and budgetary control

The Council follows an annual budget setting process that meets all its statutory (Local Government Acts 2000, 2003 and Local Government Finance Act 1992) and constitutional requirements. The Council has a well-established budgetary process, with directorate budget holders required to provide detailed budgets for all cost and income headings within their directorate. This process is completed for both revenue and capital budgets, with the latter being indicative spend to assist with funding and borrowing requirements.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (criteria)

The budget setting process is completed alongside the overall business and corporate planning process, to ensure budgets align with the performance objectives of the Council. As part of the process, budget holders are asked to provide key information on forecasts for the following two years which is used to update the detail in the MTFS.

During 2024/25, the Council completed its annual budget setting process for 2025/26 and the production of its MTFS to 2027/28. The budget for the 2025/26 year was balanced with gaps of £5.5m for the 2026/27 financial year and a further gap of £3.2m for 2027/28. The budget for the 2025/26 HRA balance was a surplus of £850k, with budget gaps of £842k and £1,956k for the 2026/27 and 2027/28 financial years respectively.

Following approval of the budget, progress against targets is then monitored on a regular basis through the preparation of monthly management accounts, which are subject to challenge on key variances from the agreed budgets. Throughout the year budget holders are required to produce an updated budget, or reforecast, for the full year based on actual results to date and a re-review of the budget for the remainder of the year that takes account of recent trends and known changes to future projections.

We have reviewed Council minutes and confirmed there was regular reporting of the financial position during the 2024/25 financial year, including detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year and did not indicate a weakness in arrangements. The data is also reported to Senior Management Team and Cabinet.

Decision making arrangements and control framework

We have reviewed Council minutes throughout the year, which support informed decision-making and were clear in the decision or recommendations that Members were asked to make.

Items for decision are subject to discussion and scrutiny prior to approval. The Council is transparent in its decision making. Key decision notices are produced and made publicly available

via the Council's website. This log of published notices also contains officer decisions that have been approved under the scheme of delegated authorities.

GARMS has a purpose as detailed within its terms of reference to provide independent assurance on the adequacy of the Council's governance, risk management and control frameworks. GARMS oversees both internal and external audit and promotes and maintains high standards of conduct by Councillors and co-opted members. GARMS met regularly throughout 2024/25. We noted officers and relevant committees making full use of the reporting packs and information provided to them.

The Council also has an overview and Scrutiny Committee. As part of its function, this committee is in place to challenge decisions taken by the Council and provide transparency of this challenge.

The Council has a standing item at all committee meetings for the declaration of interests by members, with members also expected to complete internal declarations on a regular basis (in line with the Governance framework. These declarations are logged in a publicly held register and is available for viewing on the Councils website. These registers also log any gifts and hospitality received by members, with members regularly reminded of the need to update records.

Ensuring legislative and regulatory requirements are met

Assurance on compliance with regulatory requirements is regularly reported to GARMS using summary reports. The Council also follow a process of internal reviews and inspections to ensure reporting standards are being met. There have been no significant issues identified during 2024/25 from these reviews and inspections.

The Council also has established policies for both Counter Fraud and Corruption and Standards of Business Conduct. These have been prepared in accordance with the Bribery Act and central government guidance on the risk management of conflicts of interest. Employees are informed of changes via the Council's intranet. Senior officers and members are required to make declarations throughout the year. These policies, along with all other policies officers and members are required to adhere to, are included within the Council's constitution.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (criteria)

Overall view on arrangements in relation to governance

Based on the above considerations, we have concluded that there remains a significant weakness in the Council's governance arrangements to prevent and detect fraud, for which our recommendation raised in 2021/22 has been maintained. We have also concluded that there is a significant weakness in the Council's governance arrangements with regard to the management of the schools PFI contract and have made a recommendation for the Council to address, which is outlined on page 25.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Risks of significant weaknesses in arrangements in relation to Improving Economy, Efficiency and Effectiveness

We have outlined below the risks of significant weakness in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to this risk.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>Improving economy efficiency and effectiveness in relation to the provision of Children’s Social Care</p> <p>In January 2025, the Council was subject to Ofsted’s Inspection of Local Authority’s Children’s Services (ILACS), with the report issued in March 2025. The overall effectiveness of the services that the Council provides was rated as ‘inadequate’; while two of the four metrics were rated as ‘good’ by Ofsted, the Council was rated as ‘inadequate’ on the judgement of ‘the experiences and progress of care leavers’, and ‘required improvement’ on the judgement of ‘the impact of leaders on social work practice with children and families.</p> <p>3</p> <p>The Ofsted report noted that support for care leavers had deteriorated since the last inspection in 2020, and that care leavers were not receiving the right level of help, support and protection. Ofsted raised eight recommendations for the Council to implement to improve the services that it provides. This was reported in the 2024/25 Annual Governance Statement as a significant issue to address.</p> <p>There is a risk that the Council is not providing services that are of appropriate quality or effectiveness, which could adversely impact its reputation across its service lines.</p>	<p>Work undertaken</p> <p>We reviewed the Ofsted Inspection of Local Authority’s Children’s Services report, and the Council’s response to the report. We assessed how the Council have identified the need for improvements and whether these have only been identified as a result of the inspection.</p> <p>Results of our work</p> <p>The Ofsted report identified several key areas for the Council to address. The first was centred around the stability and capacity of the leadership team in place within Children’s Services to lead the improvements required, including oversight of performance to ensure a commitment to continuous improvement. The report noted that, since 2020, there had been significant leadership churn, including 4 directors of children’s services and 2 chief executives, which had contributed to a deterioration in the quality of service and practise for care leavers.</p> <p>The other improvements required focus on the inadequate rating given to the Council’s delivery of services to care leavers. Issues were identified in the quality of support, advice and guidance provided to care leavers, including those with additional vulnerabilities. The report said that a ‘significant number’ of care leavers have been inappropriately closed to the service, when entitled to support and ongoing help. The quality and accessibility of pathway plans for care leavers was specifically listed as one of the eight points for improvement, as was the quality and supervision and oversight of social workers to ensure that care leavers receive a timely and consistent service that meets their needs.</p> <p>As a result of the report, Harrow were served with a Formal Improvement Notice on 1st April 2025 by the Department for Education (DfE), and a DfE advisor was appointed to support the Council and provide progress reports to the DfE every 6 weeks. The outcome of the judgement made by Ofsted in respect of care leavers was fully accepted with an immediate action plan developed and implemented and submitted to Ofsted.</p> <p>The Council’s action plan provides clear responses to each of the eight points for improvement identified within the Ofsted report. The responses to each improvement point are thorough and the Council have undertaken a full review of the processes and protocols in place within the service line. However, as the action plan was produced in July 2025, the actions in place are currently in the early stages and not fully completed to assess whether the necessary improvements have been made. We have therefore concluded that there is a significant weakness in arrangements for 2024/25. We have made a recommendation to the Council to address this weakness on Page 25.</p>

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Assessing performance and evaluating service delivery

The Council has an established performance monitoring framework, which is used to identify areas for improvement. Key to this monitoring is the quarterly outturn to budget reports submitted to Cabinet. These reports hold a detailed breakdown of spend-to-date against budgets, which can be broken down to individual budget holder level within each directorate, as well as being summarised at service level. This mix of high level and in-depth detail allows for Cabinet to monitor overall performance and address any issues identified. Monthly budget updates are provided to the corporate leadership team, and mitigating actions are identified for any areas of significant budget variances.

Annually, Cabinet and Full Council are presented with a final outturn report detailing the Council's performance against budget for the year. The 2024/25 outturn reported a £1.6m underspend which has been used to grow the Council's Budget Planning Reserve balance. The Housing Revenue Account (HRA) outturn was a surplus of £4.9m in 2024/25.

The Performance & Finance Scrutiny Sub-Committee meets 3 times a year to consider and monitor the performance of the Council and its partners.

The performance of the Council and its partners are measured against the Corporate Plan and Economic Strategy implemented by the new administration, which were approved in 2023 and cover a 3-year period to 2026.

The Council reports annually a detailed performance summary, in the form of a Narrative report, forming part of the Statement of Accounts. This provides details of the Council's performance for the year and a summary of the outlook for the coming year.

The range of services provided by the Council are subject to external regulation. The Council makes use of these reports to evaluate its own performance. Adults Services were inspected by the Care Quality Commission (CQC) in April 2024 under an updated review process. The Council was rated as 'requires improvement.' Management considers the report shows that the Council are a small step away from being recognised as 'good' by the CQC and believes that there is a clear path to a good rating or better. The Council prepared a response in December 2024 outlining actions that will be taken, showing the findings are being used to inform improvements.

The last main OFSTED report was undertaken in 2020 and returned grades of 'good'. OFSTED have also conducted separate inspections on some of the Council's specific service areas in recent years, with Adult and Community Learning being inspected in October 2024. This short inspection also gave a rating of 'good'.

In January 2025, the Council were subject to OFSTED's Inspection of Local Authority's Children's Services (ILACS). The report, issued in March 2025, rated the overall effectiveness of the Council's children's services as 'inadequate', with this rating predominantly relating to the experiences and progress of care leavers within the Harrow system. This was included as a significant issue within the Council's 2024/25 Annual Governance Statement, and we have concluded that this is a related significant weakness within the Council's arrangements, for which we provide further details on page 21.

Effective partnership working

As part of their arrangements for the provision of residential care services, the Council has partnered with Sancroft Community Care Ltd, with the Council the 100% owner of the partner. The services provided by the company fall under the scope of the CQC, for which good ratings have been received to date. As part of the Council's performance management framework, the review of the arrangement is considered as part of Cabinet's performance monitoring.

The Council has a joint venture partnership with Wates, called Harrow Strategic Development Partnership (HSDP), which was formed in 2021. The principal activity of the joint venture is the building and selling of residential apartments in the Borough to support the regeneration of affordable housing available to residents. In 2024/25 no major transactions took place as all projects were in the planning phase.

The Members Agreement between the Council, Wates and HSDP sets out the contractual terms and conditions under which HSDP operates, including the formation of a Partnership Board that is tasked with the leadership, strategy and day-to-day direction and oversight of HSDP's activities. The Board consists of representative from the Council and Wates.

The HSDP Business Plan is refreshed annually and presented to Cabinet for consideration. The last report was presented at Cabinet in February 2025. The plan clearly outlines the strategy for the next year and beyond and how the actions align to the overarching objectives of the joint venture.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria (continued)

Procurement and commissioning services

The Council has a procurement strategy and approach which ensures that it complies with all legal and regulatory requirements as well as achieving best value in procurement processes. Standardised templates and procurement standing orders are used throughout the procurement process to ensure consistency of approach.

A Corporate Procurement Team supports officers across the organisation in procurement activity to ensure compliance with all relevant legislation including the Public Contract Regulations 2015 and Procurement Act 2023. Each directorate across the Council has a procurement board, the purpose of which is to ensure procurement projects are being delivered on time, budget and compliantly. The board also is responsible for cascading procurement compliance and best practice.

The procurement reporting process requires approval to commence a procurement and then approval to award a contract. These reports go through procurement, legal, finance and audit clearance on their way to overall approval and Portfolio holders are regularly engaged and consulted on procurement decisions.

Contracts awarded to third party suppliers have contract managers assigned to them to ensure the delivery promised in the procurement process is delivered by the supplier. A Contract Management Guide and toolkit supports the Contract Manager in their role.

The Council have also increased training around procurement to its staff. In recent years over 300 training sessions have been delivered to officers and members, with the development of officers as a key goal for the Council in 2024/25 following the implementation of the Procurement Act 2023.

Overall view on arrangements in relation to improving economy, efficiency and effectiveness

Based on the above considerations, we have concluded that there is a significant weakness in the Council's arrangements in the provision of children's services and have made a recommendation for the Council to address, which is outlined on page 25.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified three significant weaknesses in the Council's arrangements, with one weakness identified for each of the three reporting criteria. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
1 Financial sustainability – Dedicated Schools Grant deficit	●			The Council should identify and implement and monitor the impact of alternative actions to reduce the in year and cumulative Dedicated Schools Grant deficit as soon as possible.
2 Governance arrangements in relation to management of the schools PFI contract		●		The Council should put in place appropriate controls over the management of the Schools PFI contract, to ensure that it monitors the contract effectively and the Council is only paying for services received.
3 Arrangements in the provision of Children's Social Care			●	The Council should put in place robust and realistic plans to implement all of the recommendations made by OFSTED as soon as possible, and monitor the impact of the actions on the experiences and progress of care leavers.

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year

In November 2023, as part of our 2020/21 audit we reported a significant weaknesses in governance arrangements to the Council. As part of our work in 2021/22, 2022/23 and 2023/24, we followed up the progress made by the Council against the recommendations made and determined the significant weakness remained during the year. We have again followed up on progress against the recommendation as part of our 2024/25 audit:

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Governance in relation to allegation of fraud and corruption</p> <p>In August 2021, the Council were alerted to allegations of fraud and corruption that are currently subject to a criminal investigation by the Police. Allegations of fraud and corruption indicate a possible significant weakness in relation to the Councils system to obtain assurance over the operation of internal controls, including those designed to detect and prevent fraud.</p> <p>1 The Council's Annual Governance Statement (AGS) for 2020/21 and 2021/22 reported this matter as a significant governance matter. The AGS for 2021/22 recognised that the independent review identified 5 recommendations aimed at strengthening controls to mitigate the risk of fraud. Having considered the work of internal audit and the independent review, we considered there to be sufficient evidence of a significant weakness in the Council's governance arrangements for how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.</p>	<p>Governance</p>	<p>We recommended that the Council fully implemented all the recommendations identified by the independent review and by its own internal audit as quickly as possible.</p>	<p>Internal audit undertook a further review during 2024, with the report being issued in December 2024. This review concluded that there was a limited level of assurance in the controls in place to manage the risks associated with the department in which the incidence occurred. The limited assurance provided was attributed primarily to the lack of supporting documentation on project files and instability within the staffing of the service area subject to the allegations resulting in a high staff turnover and reliance on agency staff, which has prevented the recommendations raised being appropriately addressed.</p> <p>In response to the report, the Council formed an action plan containing 16 high and medium rated actions that would appropriately address the outstanding recommendations. At the end of 2024/25, one high rated and four medium rated recommendations were yet to be implemented.</p>	<p>The Council is currently taking steps to address these weaknesses however, at the end of 2024/25, the recommendations made by internal audit have not been cleared in full. While we appreciate that the Council have been working to implement the final recommendations in 2025/26, the previously identified weakness still exists, and the associated recommendation had yet to be addressed in full within 2024/25.</p>

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. Whilst we have received some correspondence, we have received no objections on the 2024/25 statement of accounts.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

05

Audit fees and other services

Audit fees

Fees for work as the Council's appointed auditor

Our fees (exclusive of VAT and disbursements) as the Council's appointed for the year ended 31 March 2025 are outlined below. Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. We need to discuss and agree our final proposed fee with the Strategic Director of Finance before submitting to PSAA.

Area of work	2024/25 Proposed Fee
Code Audit Work (scale fee)	£421,115
Additional work:	
- Value for Money risks and significant weaknesses (Note 1)	£35,000
- Payroll data migration (Note 2)	£15,000
Total fees	£471,115

Notes (all fees exclude VAT)

1. Where we identify risks relating to value for money arrangements we are required to carry out additional procedures to determine if the risk is an actual significant weakness. This work is performed by the audit manager and reviewed by the Partner. In addition, to ensure our reporting and judgements are fair and appropriate, we carry out a consistency process that involves a panel of other partners and directors from our Public Sector Audit practice and Audit Quality. We have reported our detailed findings in section 3 of this report.
2. We were required to carry out additional work on the Council's move to a new payroll system. We considered the governance of the implementation and tested the completeness of data migrated from the old system into the new system. We reported our findings in the Audit Completion Report.

06

Audit of London Borough of Harrow
Pension Fund

Audit of London Borough of Harrow Pension Fund

Summary of key information

As the auditor for London Borough of Harrow Pension Fund ('the Pension Fund'), our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). This section of the AAR summarises how we have discharged these responsibilities and the findings from our work we have undertaken as the Pension Fund auditor for the year ended 31 March 2025.



Opinion on the Pension Fund financial statements

We issued our audit report on 26 February 2026. Our opinion on the financial statements was unqualified.



Consistency report

We concluded that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of London Borough of Harrow Council.



Wider reporting responsibilities

We have not exercised any of these powers as part of our 2024/25 audit.

Fees for our work as the Pension Fund's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance, Audit, Risk Management and Standards Committee in April 2025. Having completed our work for the 2024/25 financial year, we can outline our final fees below. We need to discuss and agree the additional fee with the Strategic Director of Finance before we submit to PSAA.

Area of work	2024/25 proposed fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£85,396	£74,748
Additional testing in respect of revised auditing standards	£0	£7,840
Additional work in respect of payroll data migration (Note 1)	£7,500	£0
Total fees	£92,896	£82,588

Notes (all fees exclude VAT)

1. We were required to carry out additional work on the Pension Fund's move to a new payroll system. We considered the governance of the implementation and tested the completeness of data migrated from the old system into the new system. We reported our findings in the Audit Completion Report.

Appendices

Appendix A: Further information on our audit of the Council's financial statements

Appendix B: Further information on our audit of the Pension Fund financial statements

Appendix A: Further information on our audit of the Council's financial statements

Summary of uncorrected misstatements for the Council

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Revenue grants within cost of services Cr: Usable reserves (general fund) <i>The Council recognised income in the current period that should have been recognised in the prior period.</i>	Extrapolated	655			655
Dr: Property, plant and equipment (council dwellings) Cr: Unusable reserves (revaluation reserve) <i>The Council applied incorrect property sizes to revalued beacons, as a result of a mis-match of information between the property details provided to the estates team which was provided to the valuer.</i>	Known			1,271	1,271
Aggregate effect of unadjusted misstatements		655	0	1,271	1,926

Appendix B: Further information on our audit of the Pension Fund's financial statements

Summary of uncorrected misstatements for the Pension Fund

Description	Entity	Nature	Fund Account		Net Asset Statement	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Cr: Profit and loss on disposal of investments and changes in the market value of investments						
Dr: Investment Assets						
These differences have been identified during our testing of investment assets held by the Pension Fund. We have obtained the final year end valuation confirmations from fund managers at year end, which have variances from the balances recorded in the financial statements.		Known	0	1,326	1,326	0
Aggregate effect of unadjusted misstatements			0	1,326	1,326	0

Appendix B: Further information on our audit of the Council and Pension Fund’s financial statements

Control deficiencies – Council and Pension Fund

As part of our audit, we obtained an understanding of the Council’s internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Council’s internal controls, we are required to communicate to Governance, Audit, Risk Management and Standards Committee any significant deficiencies in internal controls that we identified in during our audit.

We outlined the deficiencies in control that we identified in our 24/25 audit, and followed up from previous years audits, within our Audit Completion Report presented to the Governance, Audit, Risk Management and Standards Committee on 16 February 2026. The table below sets out the number of deficiencies identified in 24/25, as well as the deficiencies from previous years either closed in 24/25, or still present at the end of the 24/25 audit.

Type of deficiency	Identified as part of 24/25 procedures	Identified in previous year procedures and confirmed still present by completion of 24/25 procedures	Identified in previous year procedures and confirmed no longer present
Significant	1	3	3
Other (non-significant)	1	4	3
Observation only	-	-	-

Of the deficiencies within the table above, two are relevant to the Pension Fund. One deficiency was identified in previous years audits and resolved in 24/25, while the other deficiency was identified in previous years audits and still present by the completion of our 24/25 procedures. No other control deficiencies have been identified during our audit of the Pension Fund.

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